

SOUTHERN CO

Form 10-K

March 02, 2015

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 2014

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period from to

Commission File Number	Registrant, State of Incorporation, Address and Telephone Number	I.R.S. Employer Identification No.
1-3526	The Southern Company (A Delaware Corporation) 30 Ivan Allen Jr. Boulevard, N.W. Atlanta, Georgia 30308 (404) 506-5000	58-0690070
1-3164	Alabama Power Company (An Alabama Corporation) 600 North 18th Street Birmingham, Alabama 35291 (205) 257-1000	63-0004250
1-6468	Georgia Power Company (A Georgia Corporation) 241 Ralph McGill Boulevard, N.E. Atlanta, Georgia 30308 (404) 506-6526	58-0257110
001-31737	Gulf Power Company (A Florida Corporation) One Energy Place Pensacola, Florida 32520 (850) 444-6111	59-0276810
001-11229	Mississippi Power Company (A Mississippi Corporation) 2992 West Beach Boulevard Gulfport, Mississippi 39501 (228) 864-1211	64-0205820

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333-98553

Southern Power Company
(A Delaware Corporation)
30 Ivan Allen Jr. Boulevard, N.W.
Atlanta, Georgia 30308
(404) 506-5000

58-2598670

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Securities registered pursuant to Section 12(b) of the Act:¹

Each of the following classes or series of securities registered pursuant to Section 12(b) of the Act is listed on the New York Stock Exchange.

Title of each class	Registrant
Common Stock, \$5 par value	The Southern Company

Class A preferred, cumulative, \$25 stated capital	Alabama Power Company
5.20% Series	5.83% Series
5.30% Series	

Class A Preferred Stock, non-cumulative,	Georgia Power Company
Par value \$25 per share	
6 1/8% Series	

Senior Notes	Gulf Power Company
5.75% Series 2011A	

Depository preferred shares, each representing one-fourth of a share of preferred stock, cumulative, \$100 par value	Mississippi Power Company
5.25% Series	

Securities registered pursuant
to Section 12(g) of the Act:¹

Title of each class	Registrant
Preferred stock, cumulative, \$100 par value	Alabama Power Company
4.20% Series	4.60% Series 4.72% Series
4.52% Series	4.64% Series 4.92% Series

Preferred stock, cumulative, \$100 par value	Mississippi Power Company
4.40% Series	4.60% Series
4.72% Series	

1 As of December 31, 2014.

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Registrant	Yes	No
The Southern Company	X	
Alabama Power Company	X	
Georgia Power Company	X	
Gulf Power Company		X
Mississippi Power Company		X
Southern Power Company		X

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No (Response applicable to all registrants.)

Indicate by check mark whether the registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrants have submitted electronically and posted on their corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrants were required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrants' knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Registrant	Large Accelerated Filer	Accelerated Filer	Non-accelerated Filer	Smaller Reporting Company
The Southern Company	X			
Alabama Power Company			X	
Georgia Power Company			X	
Gulf Power Company			X	
Mississippi Power Company			X	
Southern Power Company			X	

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No (Response applicable to all registrants.)

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Aggregate market value of The Southern Company's common stock held by non-affiliates of The Southern Company at June 30, 2014: \$40.7 billion. All of the common stock of the other registrants is held by The Southern Company. A description of each registrant's common stock follows:

Registrant	Description of Common Stock	Shares Outstanding at January 31, 2015
The Southern Company	Par Value \$5 Per Share	909,877,898
Alabama Power Company	Par Value \$40 Per Share	30,537,500
Georgia Power Company	Without Par Value	9,261,500
Gulf Power Company	Without Par Value	5,642,717
Mississippi Power Company	Without Par Value	1,121,000
Southern Power Company	Par Value \$0.01 Per Share	1,000

Documents incorporated by reference: specified portions of The Southern Company's Definitive Proxy Statement on Schedule 14A relating to the 2015 Annual Meeting of Stockholders are incorporated by reference into PART III. In addition, specified portions of the Definitive Information Statements on Schedule 14C of Alabama Power Company, Georgia Power Company, and Mississippi Power Company relating to each of their respective 2015 Annual Meetings of Shareholders are incorporated by reference into PART III.

Southern Power Company meets the conditions set forth in General Instructions I(1)(a) and (b) of Form 10-K and is therefore filing this Form 10-K with the reduced disclosure format specified in General Instructions I(2)(b), (c), and (d) of Form 10-K.

This combined Form 10-K is separately filed by The Southern Company, Alabama Power Company, Georgia Power Company, Gulf Power Company, Mississippi Power Company, and Southern Power Company. Information contained herein relating to any individual company is filed by such company on its own behalf. Each company makes no representation as to information relating to the other companies.

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DEFINITIONS

When used in Items 1 through 5 and Items 9A through 15, the following terms will have the meanings indicated.

Term	Meaning
Alabama Power	Alabama Power Company
Baseload Act	State of Mississippi legislation designed to enhance the Mississippi PSC's authority to facilitate development and construction of baseload generation in the State of Mississippi
Clean Air Act	Clean Air Act Amendments of 1990
CCR	Coal combustion residuals
CO ₂	Carbon dioxide
Code	Internal Revenue Code of 1986, as amended
CPCN	Certificate of Public Convenience and Necessity
CWIP	Construction Work in Progress
Dalton	City of Dalton, Georgia, acting by and through its Board of Water, Light, and Sinking Fund Commissioners
DOE	U.S. Department of Energy
Duke Energy Florida	Duke Energy Florida, Inc.
EPA	U.S. Environmental Protection Agency
EMC	Electric membership corporation
FERC	Federal Energy Regulatory Commission
FMPA	Florida Municipal Power Agency
Georgia Power	Georgia Power Company
Gulf Power	Gulf Power Company
IBEW	International Brotherhood of Electrical Workers
IGCC	Integrated coal gasification combined cycle
IIC	Intercompany Interchange Contract
IPP	Independent Power Producer
IRP	Integrated Resource Plan
ITC	Investment tax credit
Kemper IGCC	IGCC facility under construction in Kemper County, Mississippi
KUA	Kissimmee Utility Authority
KW	Kilowatt
KWH	Kilowatt-hour
MATS rule	Mercury and Air Toxics Standards rule
MEAG Power	Municipal Electric Authority of Georgia
Mississippi Power	Mississippi Power Company
MW	Megawatt
NRC	U.S. Nuclear Regulatory Commission
NYSE	New York Stock Exchange
OPC	Oglethorpe Power Corporation
OUC	Orlando Utilities Commission
Plant Vogtle Units 3 and 4	Two new nuclear generating units under construction at Plant Vogtle
power pool	The operating arrangement whereby the integrated generating resources of the traditional operating companies and Southern Power Company are subject to joint commitment and dispatch in order to serve their combined load obligations
PowerSouth	PowerSouth Energy Cooperative
PPA	Power Purchase Agreement

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DEFINITIONS

(continued)

Term	Meaning
PSC	Public Service Commission
registrants	Southern Company, Alabama Power, Georgia Power, Gulf Power, Mississippi Power, and Southern Power Company
RUS	Rural Utilities Service
SCS	Southern Company Services, Inc. (the Southern Company system service company)
SEC	Securities and Exchange Commission
SEGCO	Southern Electric Generating Company
SEPA	Southeastern Power Administration
SERC	Southeastern Electric Reliability Council
SMEPA	South Mississippi Electric Power Association
Southern Company	The Southern Company
Southern Company system	Southern Company, the traditional operating companies, Southern Power, SEGCO, Southern Nuclear, SCS, SouthernLINC Wireless, and other subsidiaries
Southern Holdings	Southern Company Holdings, Inc.
SouthernLINC Wireless	Southern Communications Services, Inc.
Southern Nuclear	Southern Nuclear Operating Company, Inc.
Southern Power	Southern Power Company and its subsidiaries
TIPA	Tax Increase Prevention Act of 2014
traditional operating companies	Alabama Power, Georgia Power, Gulf Power, and Mississippi Power

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FORWARD-LOOKING INFORMATION

This Annual Report on Form 10-K contains forward-looking statements. Forward-looking statements include, among other things, statements concerning retail rates, the strategic goals for the wholesale business, economic recovery, fuel and environmental cost recovery and other rate actions, current and proposed environmental regulations and related compliance plans and estimated expenditures, access to sources of capital, projections for the qualified pension plan, postretirement benefit plan, and nuclear decommissioning trust fund contributions, financing activities, completion dates of acquisitions and construction projects, filings with state and federal regulatory authorities, impact of the TIPA, estimated sales and purchases under power sale and purchase agreements, and estimated construction and other plans and expenditures. In some cases, forward-looking statements can be identified by terminology such as "may," "will," "could," "should," "expects," "plans," "anticipates," "believes," "estimates," "projects," "predicts," "potential," or "continue" or the negative of these terms or other similar terminology. There are various factors that could cause actual results to differ materially from those suggested by the forward-looking statements; accordingly, there can be no assurance that such indicated results will be realized. These factors include:

- the impact of recent and future federal and state regulatory changes, including legislative and regulatory initiatives regarding deregulation and restructuring of the electric utility industry, environmental laws including regulation of water, coal combustion residuals, and emissions of sulfur, nitrogen, CO₂, soot, particulate matter, hazardous air pollutants, including mercury, and other substances, and also changes in tax and other laws and regulations to which Southern Company and its subsidiaries are subject, as well as changes in application of existing laws and regulations;
- current and future litigation, regulatory investigations, proceedings, or inquiries, including pending EPA civil actions against certain Southern Company subsidiaries, FERC matters, and Internal Revenue Service and state tax audits; the effects, extent, and timing of the entry of additional competition in the markets in which Southern Company's subsidiaries operate;
- variations in demand for electricity, including those relating to weather, the general economy and recovery from the last recession, population and business growth (and declines), the effects of energy conservation and efficiency measures, including from the development and deployment of alternative energy sources such as self-generation and distributed generation technologies, and any potential economic impacts resulting from federal fiscal decisions;
- available sources and costs of fuels;
- effects of inflation;
- the ability to control costs and avoid cost overruns during the development and construction of facilities, which include the development and construction of generating facilities with designs that have not been finalized or previously constructed, including changes in labor costs and productivity, adverse weather conditions, shortages and inconsistent quality of equipment, materials, and labor, contractor or supplier delay, non-performance under construction or other agreements, operational readiness, including specialized operator training and required site safety programs, unforeseen engineering or design problems, start-up activities (including major equipment failure and system integration), and/or operational performance (including additional costs to satisfy any operational parameters ultimately adopted by any PSC);
- the ability to construct facilities in accordance with the requirements of permits and licenses, to satisfy any operational and environmental performance standards, including any PSC requirements and the requirements of tax credits and other incentives, and to integrate facilities into the Southern Company system upon completion of construction;
- investment performance of Southern Company's employee and retiree benefit plans and the Southern Company system's nuclear decommissioning trust funds;
- advances in technology;
- state and federal rate regulations and the impact of pending and future rate cases and negotiations, including rate actions relating to fuel and other cost recovery mechanisms;
- legal proceedings and regulatory approvals and actions related to Plant Vogtle Units 3 and 4, including Georgia PSC approvals and NRC actions and related legal proceedings involving the commercial parties;

actions related to cost recovery for the Kemper IGCC, including actions relating to proposed securitization, Mississippi PSC approval of a rate recovery plan, including the ability to complete the proposed sale of an interest in the Kemper IGCC to SMEPA, the ability to utilize bonus depreciation, which currently requires that assets be placed in service in 2015, and satisfaction of requirements to utilize ITCs and grants;

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• Mississippi PSC review of the prudence of Kemper IGCC costs;
the ultimate outcome and impact of the February 2015 decision of the Mississippi Supreme Court and any further
• legal or regulatory proceedings regarding any settlement agreement between Mississippi Power and the Mississippi
PSC, the March 2013 rate order regarding retail rate increases, or the Baseload Act;
• the ability to successfully operate the electric utilities' generating, transmission, and distribution facilities, and the
successful performance of necessary corporate functions;
• the inherent risks involved in operating and constructing nuclear generating facilities, including environmental, health,
regulatory, natural disaster, terrorism, or financial risks;
• the performance of projects undertaken by the non-utility businesses and the success of efforts to invest in and
develop new opportunities;
• internal restructuring or other restructuring options that may be pursued;
• potential business strategies, including acquisitions or dispositions of assets or businesses, which cannot be assured to
be completed or beneficial to Southern Company or its subsidiaries;
• the ability of counterparties of Southern Company and its subsidiaries to make payments as and when due and to
perform as required;
• the ability to obtain new short- and long-term contracts with wholesale customers;
• the direct or indirect effect on the Southern Company system's business resulting from cyber intrusion or terrorist
incidents and the threat of terrorist incidents;
• interest rate fluctuations and financial market conditions and the results of financing
efforts;
• changes in Southern Company's or any of its subsidiaries' credit ratings, including impacts on interest rates, access to
capital markets, and collateral requirements;
• the impacts of any sovereign financial issues, including impacts on interest rates, access to capital markets, impacts on
currency exchange rates, counterparty performance, and the economy in general, as well as potential impacts on the
benefits of the DOE loan guarantees;
• the ability of Southern Company and its subsidiaries to obtain additional generating capacity at competitive prices;
• catastrophic events such as fires, earthquakes, explosions, floods, hurricanes and other storms, droughts, pandemic
health events such as influenzas, or other similar occurrences;
• the direct or indirect effects on the Southern Company system's business resulting from incidents affecting the
U.S. electric grid or operation of generating resources;
• the effect of accounting pronouncements issued periodically by standard-setting bodies; and
• other factors discussed elsewhere herein and in other reports filed by the registrants from time to time with the SEC.
The registrants expressly disclaims any obligation to update any forward-looking statements.

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PART I

Item 1. BUSINESS

Southern Company was incorporated under the laws of Delaware on November 9, 1945. Southern Company is registered and qualified to do business under the laws of Georgia and is qualified to do business as a foreign corporation under the laws of Alabama. Southern Company owns all of the outstanding common stock of Alabama Power, Georgia Power, Gulf Power, and Mississippi Power, each of which is an operating public utility company. The traditional operating companies supply electric service in the states of Alabama, Georgia, Florida, and Mississippi. More particular information relating to each of the traditional operating companies is as follows:

Alabama Power is a corporation organized under the laws of the State of Alabama on November 10, 1927, by the consolidation of a predecessor Alabama Power Company, Gulf Electric Company, and Houston Power Company. The predecessor Alabama Power Company had been in continuous existence since its incorporation in 1906.

Georgia Power was incorporated under the laws of the State of Georgia on June 26, 1930 and was admitted to do business in Alabama on September 15, 1948 and in Florida on October 13, 1997.

Gulf Power is a Florida corporation that has had a continuous existence since it was originally organized under the laws of the State of Maine on November 2, 1925. Gulf Power was admitted to do business in Florida on January 15, 1926, in Mississippi on October 25, 1976, and in Georgia on November 20, 1984. Gulf Power became a Florida corporation after being domesticated under the laws of the State of Florida on November 2, 2005.

Mississippi Power was incorporated under the laws of the State of Mississippi on July 12, 1972, was admitted to do business in Alabama on November 28, 1972, and effective December 21, 1972, by the merger into it of the predecessor Mississippi Power Company, succeeded to the business and properties of the latter company. The predecessor Mississippi Power Company was incorporated under the laws of the State of Maine on November 24, 1924 and was admitted to do business in Mississippi on December 23, 1924 and in Alabama on December 7, 1962.

In addition, Southern Company owns all of the common stock of Southern Power Company, which is also an operating public utility company. Southern Power constructs, acquires, owns, and manages generation assets, including renewable energy projects, and sells electricity at market-based rates in the wholesale market. Southern Power Company is a corporation organized under the laws of Delaware on January 8, 2001 and was admitted to do business in the States of Alabama, Florida, and Georgia on January 10, 2001, in the State of Mississippi on January 30, 2001, in the State of North Carolina on February 19, 2007, and in the State of South Carolina on March 31, 2009. Certain of Southern Power Company's subsidiaries are also admitted to do business in the States of California, Nevada, New Mexico, and Texas.

Southern Company also owns all of the outstanding common stock or membership interests of SouthernLINC Wireless, Southern Nuclear, SCS, Southern Holdings, and other direct and indirect subsidiaries. SouthernLINC Wireless provides digital wireless communications for use by Southern Company and its subsidiary companies and markets these services to the public and also provides wholesale fiber optic solutions to telecommunication providers in the Southeast. Southern Nuclear operates and provides services to Alabama Power's and Georgia Power's nuclear plants and is currently developing Plant Vogtle Units 3 and 4, which are co-owned by Georgia Power. SCS is the Southern Company system service company providing, at cost, specialized services to Southern Company and its subsidiary companies. Southern Holdings is an intermediate holding subsidiary, primarily for Southern Company's investments in leveraged leases.

Alabama Power and Georgia Power each own 50% of the outstanding common stock of SEGCO. SEGCO is an operating public utility company that owns electric generating units with an aggregate capacity of 1,019,680 KWs at Plant Gaston on the Coosa River near Wilsonville, Alabama. Alabama Power and Georgia Power are each entitled to one-half of SEGCO's capacity and energy. Alabama Power acts as SEGCO's agent in the operation of SEGCO's units and furnishes fuel to SEGCO for its units. SEGCO also owns one 230,000 volt transmission line extending from Plant Gaston to the Georgia state line at which point connection is made with the Georgia Power transmission line system. Southern Company's segment information is included in Note 12 to the financial statements of Southern Company in Item 8 herein.

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The registrants' Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and all amendments to those reports are made available on Southern Company's website, free of charge, as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC. Southern Company's internet address is www.southerncompany.com.

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The Southern Company System

Traditional Operating Companies

The traditional operating companies are vertically integrated utilities that own generation, transmission, and distribution facilities. See PROPERTIES in Item 2 herein for additional information on the traditional operating companies' generating facilities. Each company's transmission facilities are connected to the respective company's own generating plants and other sources of power (including certain generating plants owned by Southern Power) and are interconnected with the transmission facilities of the other traditional operating companies and SEGCO. For information on the State of Georgia's integrated transmission system, see "Territory Served by the Traditional Operating Companies and Southern Power" herein.

Agreements in effect with principal neighboring utility systems provide for capacity and energy transactions that may be entered into from time to time for reasons related to reliability or economics. Additionally, the traditional operating companies have entered into voluntary reliability agreements with the subsidiaries of Entergy Corporation, Florida Electric Power Coordinating Group, and Tennessee Valley Authority and with Duke Energy Progress, Inc., Duke Energy Carolinas, LLC, South Carolina Electric & Gas Company, and Virginia Electric and Power Company, each of which provides for the establishment and periodic review of principles and procedures for planning and operation of generation and transmission facilities, maintenance schedules, load retention programs, emergency operations, and other matters affecting the reliability of bulk power supply. The traditional operating companies have joined with other utilities in the Southeast (including some of those referred to above) to form the SERC to augment further the reliability and adequacy of bulk power supply. Through the SERC, the traditional operating companies are represented on the National Electric Reliability Council.

The utility assets of the traditional operating companies and certain utility assets of Southern Power Company are operated as a single integrated electric system, or power pool, pursuant to the IIC. Activities under the IIC are administered by SCS, which acts as agent for the traditional operating companies and Southern Power Company. The fundamental purpose of the power pool is to provide for the coordinated operation of the electric facilities in an effort to achieve the maximum possible economies consistent with the highest practicable reliability of service. Subject to service requirements and other operating limitations, system resources are committed and controlled through the application of centralized economic dispatch. Under the IIC, each traditional operating company and Southern Power Company retains its lowest cost energy resources for the benefit of its own customers and delivers any excess energy to the power pool for use in serving customers of other traditional operating companies or Southern Power Company or for sale by the power pool to third parties. The IIC provides for the recovery of specified costs associated with the affiliated operations thereunder, as well as the proportionate sharing of costs and revenues resulting from power pool transactions with third parties.

Southern Company, each traditional operating company, Southern Power Company, Southern Nuclear, SEGCO, and other subsidiaries have contracted with SCS to furnish, at direct or allocated cost and upon request, the following services: general and design engineering, operations, purchasing, accounting, finance and treasury, tax, information technology, marketing, auditing, insurance and pension administration, human resources, systems and procedures, digital wireless communications, and other services with respect to business and operations, construction management, and power pool transactions. Southern Power Company and SouthernLINC Wireless have also secured from the traditional operating companies certain services which are furnished at cost and, in the case of Southern Power Company, which are subject to FERC regulations.

Alabama Power and Georgia Power each have a contract with Southern Nuclear to operate the Southern Company system's existing nuclear plants, Plants Farley, Hatch, and Vogtle. In addition, Georgia Power has a contract with Southern Nuclear to develop, license, construct, and operate Plant Vogtle Units 3 and 4. See "Regulation – Nuclear Regulation" herein for additional information.

Southern Power

Southern Power Company is an electric wholesale generation subsidiary with market-based rate authority from the FERC. Southern Power constructs, acquires, owns, and manages generation assets, including renewable energy projects, and sells electricity at market-based rates in the wholesale market. Southern Power continually seeks

opportunities to execute its strategy to create value through various transactions, including acquisitions and sales of assets, construction of new power plants, and entry into PPAs primarily with investor owned utilities, IPPs, municipalities, and electric cooperatives. Southern Power Company's business activities are not subject to traditional state regulation like the traditional operating companies but are subject to regulation by the FERC. Southern Power has attempted to insulate itself from significant fuel supply, fuel transportation, and electric transmission risks by generally making such risks the responsibility of the counterparties to its PPAs. However, Southern Power's future earnings will depend on the parameters of the wholesale market and the efficient operation of its wholesale generating assets, as well as Southern Power's ability to execute its acquisition and value creation strategy and to construct generating facilities. The term "Southern Power" when used herein refers to Southern Power Company and its subsidiaries while the term "Southern Power Company" when used herein refers only to the registrant. For additional

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information on Southern Power's business activities, see MANAGEMENT'S DISCUSSION AND ANALYSIS – OVERVIEW – "Business Activities" of Southern Power in Item 7 herein.

In April 2013, Southern Power and Turner Renewable Energy, LLC (TRE), through Southern Turner Renewable Energy, LLC (STR), a jointly-owned subsidiary owned 90% by Southern Power, acquired all of the outstanding membership interests of Campo Verde Solar, LLC (Campo Verde). Campo Verde constructed and owns an approximately 139-MW solar photovoltaic facility in Southern California. The solar facility began commercial operation in October 2013 and the entire output of the plant is contracted under a 20-year PPA with San Diego Gas & Electric Company (SDG&E), a subsidiary of Sempra Energy.

Southern Power and TRE, through STR, acquired all of the outstanding membership interests of Adobe Solar, LLC (Adobe) and Macho Springs Solar, LLC (Macho Springs) on April 17, 2014 and May 22, 2014, respectively. The Adobe and Macho Springs solar facilities began commercial operation in May 2014 with the approximate 20-MW Adobe solar photovoltaic facility serving a 20-year PPA with Southern California Edison Company and the approximate 50-MW Macho Springs solar photovoltaic facility serving a 20-year PPA with El Paso Electric Company.

On October 22, 2014, Southern Power, through its subsidiaries Southern Renewable Partnerships, LLC and SG2 Holdings, LLC (SG2 Holdings), acquired all of the outstanding membership interests of SG2 Imperial Valley, LLC (Imperial Valley). Southern Power owns 100% of the class A membership interests of SG2 Holdings and is entitled to 51% of all cash distributions from SG2 Holdings, and First Solar, Inc. indirectly owns 100% of the class B membership interests of SG2 Holdings and is entitled to 49% of all cash distributions from SG2 Holdings. In addition, Southern Power is entitled to substantially all of the federal tax benefits with respect to the transaction. Imperial Valley constructed and owns an approximately 150-MW solar photovoltaic facility in Southern California. The solar facility began commercial operation on November 26, 2014, and the entire output of the plant is contracted under a 25-year PPA with SDG&E.

In December 2014, Southern Power announced that it will build an approximately 131-MW solar photovoltaic facility in Taylor County, Georgia. Construction of the facility is expected to begin in September 2015. Commercial operation is scheduled to begin in the fourth quarter 2016, and the entire output of the facility is contracted under separate 25-year PPAs with Cobb EMC, Flint EMC, and Sawnee EMC.

On February 19, 2015, Southern Power acquired all of the outstanding membership interests of Decatur Parkway Solar Project, LLC and Decatur County Solar Project, LLC from TradeWind Energy, Inc. as part of Southern Power's plan to build two solar photovoltaic facilities, the Decatur Parkway Solar Project and the Decatur County Solar Project. These two projects, approximately 80 MWs and 19 MWs, respectively, will be constructed on separate sites in Decatur County, Georgia. The construction of the Decatur Parkway Solar Project commenced in February 2015 while the construction of the Decatur County Solar Project is expected to commence in June 2015. Both projects are expected to begin commercial operation in late 2015. The entire output of the Decatur Parkway Solar Project is contracted under a 25-year PPA with Georgia Power and the entire output of the Decatur Country Solar Project is contracted under a 20-year PPA with Georgia Power. The total estimated cost of the facilities is expected to be between \$200 million and \$220 million, which includes the acquisition price for all of the outstanding membership interests of Decatur Parkway Solar Project, LLC and Decatur County Solar Project, LLC from Tradewind Energy, Inc.

On February 24, 2015, Southern Power, through its wholly owned subsidiary SRE, entered into a purchase agreement with Kay Wind Holdings, LLC, a wholly-owned subsidiary of Apex Clean Energy Holdings, LLC, the developer of the project, to acquire all of the outstanding membership interests of Kay Wind, LLC (Kay Wind) for approximately \$492 million, with potential purchase price adjustments based on performance testing. Kay Wind is constructing an approximately 299 MW wind facility in Kay County, Oklahoma. The wind facility is expected to begin commercial operation in late 2015, and the entire output of the facility is contracted under separate 20-year PPAs with Westar Energy, Inc. and Grand River Dam Authority. The acquisition is expected to close in the fourth quarter 2015 subject to Kay Wind achieving certain financing, construction, and project milestones, and various customary conditions to closing.

See Note 2 to the financial statements of Southern Power in Item 8 herein for additional information regarding Southern Power's acquisitions.

As of December 31, 2014, Southern Power had 9,074 MWs of nameplate capacity in commercial operation, after taking into consideration its equity ownership percentage of the solar facilities. Taking into account the PPAs and capacity from the Taylor County and Decatur County solar projects, as well as the acquisition of Kay Wind, all as discussed above, Southern Power had an average of 77% of its available capacity covered for the next five years (2015 through 2019) and an average of 70% of its available capacity covered for the next 10 years (2015 through 2024). Southern Power's natural gas and biomass sales are primarily through long-term PPAs. Southern Power's natural gas PPAs consist of two types of agreements. The first type, referred to as a unit or block sale, is a customer purchase from a dedicated plant unit where all or a portion of the generation from that unit is reserved for that customer. Southern Power typically has the

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ability to serve the unit or block sale customer from an alternate resource. The second type, referred to as requirements service, provides that Southern Power serve the customer's capacity and energy requirements from a combination of the customer's own generating units and from Southern Power resources not dedicated to serve unit or block sales. Southern Power has rights to purchase power provided by the requirements customers' resources when economically viable.

Southern Power's solar sales are through long-term PPAs. Each of Southern Power's solar PPAs is a customer purchase from a dedicated solar facility where the customer purchases the entire energy output of the facility.

The following tables set forth Southern Power's existing PPAs as of December 31, 2014:

Block Sales PPAs

Facility/Source	Counterparty	MWs	Contract Term
Addison Unit 1	MEAG Power	150	through April 2029
Addison Units 2 and 4	Georgia Power	296	Jan. 2015 – May 2030
Addison Unit 3	Georgia Energy Cooperative	150	through May 2030
Cleveland County Unit 1	NCEMC(1)	45-180	through December 2036
Cleveland County Unit 2	NCEMC(1)	180	through December 2036
Cleveland County Unit 3	NCMPA1(2)	180	through December 2031
Dahlberg Units 1, 3 and 5	Cobb EMC	225	Jan. 2016 – Dec. 2022
Dahlberg Units 2, 6, 8 and 10	Georgia Power	298	through May 2025
Dahlberg Unit 4	Georgia Power	75	Jan. 2015 – May 2030
Franklin Unit 1	Florida Power & Light Co.	190	through December 2015
Franklin Unit 1	Duke Energy Florida, Inc.	350	through May 2016
Franklin Unit 1	Duke Energy Florida, Inc.	434	June 2016 – May 2021
Franklin Unit 2	Morgan Stanley Capital Group	250	Jan. 2016 – Dec. 2025
Franklin Unit 2	Jackson EMC	60-65	Jan. 2016 – Dec. 2035
Franklin Unit 2	GreyStone Power Corporation	35-40	Jan. 2016 – Dec. 2035
Franklin Unit 2	Cobb EMC	100	Jan. 2016 – Dec. 2022
Franklin Unit 3	Constellation Energy	628	through December 2015
Harris Unit 1	Florida Power & Light Co.	600	through December 2015
Harris Unit 1	Georgia Power(3)	638	June 2015 – May 2030
Harris Unit 2	Georgia Power	636	through May 2019
Nacogdoches	City of Austin, Texas	100	through May 2032
NCEMC PPA(4)	EnergyUnited	100	through December 2021
Oleander Unit 1	Tampa Electric Company	155	through December 2015
Oleander Units 2, 3 and 4	Seminole Electric Cooperative	465	through May 2021
Oleander Unit 5	FMPA	160	through December 2027
Rowan CT Unit 1	NCMPA1(2)	100-150	through December 2030
Rowan CT Unit 3	EnergyUnited	113	Jan. 2015 – December 2023
Rowan CC Unit 4	NCMPA1(2)	50	through December 2015
Rowan CC Unit 4	EnergyUnited	0-274	through December 2025
Rowan CC Unit 4	Duke Energy Progress, Inc.	150	through December 2019
Rowan CC Unit 4	PJM Auction(5)	200	June 2016 – May 2017
Stanton Unit A	OUC	341	through September 2033
Stanton Unit A	FMPA	85	through September 2033
Wansley Unit 6	Georgia Power	568	through May 2017

(1)North Carolina Electric Membership Corporation (NCEMC)

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(2)North Carolina Municipal Power Agency (NCMPA)

(3)Georgia Power will be served by Plant Franklin Unit 2 from June 2015 through December 2015.

(4)Represents sale of power purchased from NCEMC under a PPA.

(5)Pennsylvania, Jersey, Maryland Power Pool

Requirements Services PPAs

Counterparty	MWs		Contract Term
Nine Georgia EMCs	239-358	(1)	through December 2024
Sawnee EMC	117-422	(1)	through December 2027
Cobb EMC	26-210	(1)	through December 2015
Cobb EMC	26-210	(1)	Jan. 2016 - Dec. 2025
Flint EMC	131-210	(1)	through December 2024
City of Dalton, Georgia	—	(1)	through December 2017
EnergyUnited	99-236	(1)	through December 2025
City of Seneca, South Carolina	30		through June 2015

(1)Represents a range of forecasted incremental capacity needs over the contract term.

Solar PPAs

Facility	Counterparty	MWs(1)	Contract Term
Adobe(2)	Southern California Edison Company	20	through April 2034
Apex(2)	Nevada Power Company	20	through November 2037
Campo Verde(2)	San Diego Gas & Electric Company	139	through October 2033
Cimarron(2)	Tri-State Generation and Transmission Association, Inc.	30	through November 2035
Granville(2)	Duke Energy Progress, Inc.	2.5	through November 2032
Imperial Valley(3)	SDG&E	150	through October 2039
Macho Springs(2)	El Paso Energy	50	through April 2034
Spectrum(2)	Nevada Power Company	30	through December 2038
Taylor County	Cobb EMC	101	fourth quarter 2016 - 2041
Taylor County	Flint EMC	15	fourth quarter 2016 - 2041
Taylor County	Sawnee EMC	15	fourth quarter 2016 - 2041

(1)MWs shown are for 100% of the PPA, which is based on the demonstrated capacity of the facility.

(2)Southern Power's equity interest in these facilities is 90%.

(3)Southern Power's equity interest in this facility is 51%.

Purchased Power

Facility/Source	Counterparty	MWs	Contract Term
Sandersville	AL Sandersville Holdings, LLC	280	through December 2015
NCEMC	NCEMC		